

Subject: ICC Docket No. 11-0767 People of the State of Illinois's 2nd Set of Data Requests to Illinois American Water Company ("IAWC")
Date: Tuesday, January 10, 2012 10:31:08 AM Central Standard Time
From: Randall, Erica
To: 'Albert D. Sturtevant', 'Anne M. Zehr', Dale, Janice A., 'Dawn Bisdorf', 'Drew Rankin', 'Eric Robertson', 'James V. Olivero', 'John J. Reichart', 'Kathleen E. Ratcliffe', 'Kenneth C. Jones', 'Mark A. Whitt', 'Michael J. Lannon', 'Michael Roomberg', 'Nicole T. Luckey', 'Ralph Smith', Randall, Erica, 'Rebecca Segal', 'Ryan Robertson', Satter, Susan L., 'Thomas Q. Smith', Yu, Cathy
CC: Randall, Erica

Good Afternoon,

Attached is the People of the State of Illinois's Second Set of Data Requests to Illinois American Water Company ("IAWC") in ICC Docket No. 11-0767.

Erica Randall

Erica A. Randall
Paralegal II
Public Utilities Bureau
Illinois Attorney General's Office
100 W. Randolph Street
Chicago, Illinois
aerandall@atg.state.il.us



**OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS**

Lisa Madigan
ATTORNEY GENERAL

January 10, 2012

Via Electronic Mail

John Reichart
Illinois American Water Company
727 Craig Road
St. Louis, MO 63141

Albert D. Sturtevant
Atty. for Illinois-American Water Company
Carpenter Lipps & Leland LLP
180 N. LaSalle St., Ste. 2640
Chicago, IL 60601

**Re: People of the State of Illinois's Second Set of Data Requests to
Illinois American Water Company ("IAWC")
ICC Docket No. 11-0767**

Dear Messrs. Reichart and Sturtevant:

Enclosed please find the Second Set of Data Requests from the People of the State of Illinois, by the office of the Attorney General ("AG"), numbered AG 2.1 through AG 2.141 directed to Illinois American Water Company. ("IAWC"). We ask that the responses be provided as soon as possible but **no later than January 23, 2012**. If you become aware that you will not be able to provide a response by January 23, 2012, please notify counsel as soon as possible, and also indicate when the responses will be provided. We would prefer answers as they become available rather than waiting for all responses to be completed.

Please direct the responses to me, Cathy Yu, Ralph Smith, Scott Rubin and Erica Randall, electronically at the following e-mail addresses: ssatter@atg.state.il.us; cyu@atg.state.il.us; RSmithLA@aol.com; scott.j.rubin@gmail.com and aerandall@atg.state.il.us . If you have any questions regarding the data requests please do not hesitate to contact me.

Sincerely,

/s/

Susan L. Satter
Senior Assistant Attorney General
Illinois Attorney General's Office
Public Utilities Bureau
100 W. Randolph Street, 11th Floor
Chicago, Illinois 60601
ssatter@atg.state.il.us

Enclosure

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois American Water Company)	
)	
)	ICC Docket No. 11-0767
Proposed general increase in)	
Water and Sewer rates)	

**People of the State of Illinois's Second Set of Data Requests to
Illinois American Water Company ("IAWC")**

Definitions

As used in this introduction, and in the information/data requests that follow, "you", "yours", Illinois American Water Company, IAWC or "the Company's" refers to Illinois-American Water Company, together with its affiliates, parent company, directors, officers, employees, agents, representatives, witnesses, and unless privileged, its attorneys.

As used in this introduction and in the information/data requests, "document" or "documents" means any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device, or any other media, including but not limited to, memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contract agreements, books, pamphlets, periodicals, appointment calendars records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recordings that is capable of being transcribed into written form.

Instructions

In answering these information/data requests, furnish all information that is available to you, including information in the possession of your agents, employees, and representatives and all others from whom you may freely obtain it, and your attorneys and their investigators.

Each information/data request should be answered based on your knowledge, information or belief. Any answer that is based upon information or belief should state that it is given on that basis.

Please consider these requests for information ongoing throughout these proceedings. Updates to information already provided should be made as such information becomes available.

If any document requested is not in your possession or subject to your control, please explain why not, and give the present location and custodian of any copy or summary of the document.

When providing responses, please provide each response on a separate page, labeling each page at the top with the number of and text of the information/data request to which you are responding. **We ask that for each such response, the name of the Company's witnesses who is sponsoring the response be provided.** If, in responding to any discovery request, your answer contains a reference to a website, please state the precise location on the website of the discovery information requested, and instructions on how to access the precise page that contains the discovery information you reference.

Claim of Privilege

If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: data, senders, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

Response Time and Address

The People request that all responses be provided as soon as possible but no later than January 23, 2012. Please forward all responses directly to Susan Satter, Cathy Yu, Scott Rubin Ralph Smith and Erica Randall electronically at the following e-mail addresses: ssatter@atg.state.il.us; cyu@atg.state.il.us; RSmithLA@aol.com; scott.j.rubin@gmail.com and aerandall@atg.state.il.us. If you need any clarification, have any questions, or anticipate any delay in responding, please contact Susan Satter at (312) 814-1104 or by e-mail at ssatter@atg.state.il.us.

AG 2.1. Please provide the following information on tank painting expenditures:

- (a) the five-year comprehensive tank painting plan that was used in the last rate case;
- (b) the Company's actual tank painting by year for 2009, 2010 and 2011. Please itemize this, showing the amount in each period, by tank.
- (c) An explanation of all deviations from annual tank painting costs in the tank painting plan in excess of \$10,000 in any of the respective 12 month periods for which information has been requested in part b.
- (d) Does IAWC currently anticipate that the average interior coating system life expectancy is 12 years? If not, explain fully why not, and identify the expected life.
- (e) Does IAWC currently anticipate that the average exterior coating system life expectancy is 8 years? If not, explain fully why not, and identify the expected life.

(f) Provide the projected tank painting cost by tank for (1) 2012, (2) 2013 and (4) the future test year.

- AG 2.2. Have there been any changes to the Company's incentive compensation programs, including but not limited to the Annual Incentive Plan (AIP) since the last rate case? If not, explain fully why not. If so, please identify, quantify and explain all such changes.
- AG 2.3. Identify the amount of AIP cost (preferably by account) in the test year by district.
- AG 2.4. Identify the amount of AIP cost for the test period allocated or to be charged to each IAWC district for AIP at AWWSC and other affiliates.
- AG 2.5. Provide the complete most current version of the AIP, including the detail of all measurements related to whether incentive payments are made, and the amount of such payments.
- AG 2.6. Has IAWC made an allocation of AWWSC management fee expense to Chicago Metro Waste Water?
- a. If so, please identify, quantify and explain all AWWSC management fee expense that IAWC has allocated to Chicago Metro Waste Water and show in detail how the allocation was made.
 - b. If not, please explain fully why IAWC has not allocated AWWSC management fee expense to Chicago Metro Waste Water.
 - c. Does Chicago Metro Waste Water use AWWSC services? If not, explain fully why not.
- AG 2.7. Refer to Schedule G-1. The footnote states: "Actual for the year ending September 2011 consists of nine months of actual data and three months of forecasted data."
- a. Has this Schedule been revised? If not, explain fully why not. If so, please provide a revised version.
- AG 2.8. Refer to Schedule G-1.
- a. Referring to line 12, Bus Support Serv-Serv Co. Was this expense formerly called Management Fees?
 - b. Why did the Company change the name of this line item?
 - c. Please identify the amount of Incentive Compensation that is included in each of the actual and plan amounts for each year on line 12, Service Company Fees.
 - d. Referring to line 12, Service Company Fees. Please explain in detail the changes in the AWWSC Management Fee from plan Sept 2010 to plan Sept 2011 that caused the increase.

- AG 2.9. Are affiliated Service Company charges included on any other lines besides line 12 of Schedule G-1? If so, identify the amount of affiliated Service Company charges included on each other line of Schedule G-1 for each actual and plan period.
- AG 2.10. Are the services and functions that are the subject of the affiliated Service Company charges included on line 12 any different from the services and functions included in the affiliated Service Company charges in the last test year (Docket 09-0319)? If so, please identify, quantify and explain all such changes.
- AG 2.11. Refer to Schedule G-1, line 20, Miscellaneous.
- Provide a detailed itemization of all charges recorded for the 12 months ending Sept 2011 that comprise the actual amount of 11,630,808.
 - Provide the budget detail for all amounts for the 12 months ending Sept 2011 that comprise the plan amount of 10,816,655.
 - Provide the budget detail for all amounts for the 12 months ending Sept 2012 that comprise the plan amount of 10,722,108.
- AG 2.12. Refer to Schedule G-1, line 7, Labor (Oper & Maint).
- Provide the budget detail for all amounts for the 12 months ending Sept 2011 that comprise the plan amount.
 - Provide the budget detail for all amounts for the 12 months ending Sept 2012 that comprise the plan amount.
- AG 2.13. Refer to Schedule G-1, line 8, Purchased Water.
- Provide the budget detail for all amounts for the 12 months ending Sept 2011 that comprise the plan amount.
 - Provide the budget detail for all amounts for the 12 months ending Sept 2012 that comprise the plan amount.
- AG 2.14. Refer to Schedule G-1, line 19, General Office Expense.
- Provide the budget detail for all amounts for the 12 months ending Sept 2011 that comprise the plan amount.
 - Provide the budget detail for all amounts for the 12 months ending Sept 2012 that comprise the plan amount.
- AG 2.15. Refer to Schedule G-1, line 21, Maintenance Other.
- Provide the budget detail for all amounts for the 12 months ending Sept 2011 that comprise the plan amount.
 - Provide the budget detail for all amounts for the 12 months ending Sept 2012 that comprise the plan amount.

AG 2.16. Refer to Schedule G-1, line 26, State Income Taxes. For each period, provide a breakout of the actual and plan State Income Taxes into the following:

- a. Current
- b. Deferred
- c. Other (explain)

AG 2.17. Refer to Schedule G-1, line 27, Federal Income Taxes. For each period, provide a breakout of the actual and plan State Income Taxes into the following:

- a. Current
- b. Deferred
- c. Other (explain)

AG 2.18. Insurance Other Than Group.

- a. Refer to Schedule G-1, line 16, Insurance Other Than Group. Please identify, quantify and explain in detail why the actual amounts for each of the 12 month periods ending in Sept-2008, Sept-2009, Sept-2010 and Sept-2011 were so much under the planned amounts in each of these years.
- b. Refer to account 657, Insurance General Liability. Are the “Quarterly Retroactive adjustments” the same thing as the “Retrospective Adjustment”? If not, explain fully how these are different.
- c. Please identify, quantify and explain all Retrospective Adjustments (a) for each year 2000 through 2011, for (1) American Water Works in total and (2) as allocated to IAWC each year or period.
- d. Please identify, quantify and explain all Retroactive Adjustments (a) for each year 2000 through 2011 American Water Works in total and (2) as allocated to IAWC each year or period.

AG 2.19. Refer to Schedule G-8.

- a. Has this Schedule been revised? If not, explain fully why not. If so, please provide a revised version.
- b. Please explain why no “plan retirement” amounts are shown for any year.
- c. Does the Company forecast or budget for retirements? If not, explain fully why not.
- d. Are the “plan additions” for each year net of plan retirements? If not, explain fully why not. If so, please show the amount of “plan retirements” that were netted against the planned capital expenditure additions for each year.

- e. Can the net actual additions in each year be derived by subtracting the “actual retirements” from the “actual additions”? If not, explain fully why not.
- f. For each year, please identify, quantify and explain in detail how developer-funded projects have been accounted for in the actual and plan information listed on Schedule G-8.
- g. Please identify the amounts of all developer funding that are reflected in the actual and plan amounts for additions for each year, on Schedule G-8.

AG 2.20. Refer to Schedule G-5.

- a. Refer to page 3. Identify exactly what vacancy rate was used, how it was derived (provide complete supporting workpapers and studies) and what impact it had.
- b. Please identify how many FTEs equate to the “vacancy factor” that the Company used.
- c. Refer to page 3. Provide all documentation relied upon for the 9% increase in natural gas.
- d. What would the impact be on future test year expense if the natural gas cost was held constant and not increased? Show supporting calculations.
- e. Refer to page 6. Provide the complete document containing the “guidance for the years 2012-2016.”
- f. Refer to page 7. Identify each lagoon cleaning projected to occur in 2012 and 2013 and the related cost.
- g. For comparison purposes, identify all lagoon cleanings and the related cost for each year, 2006 through 2011.
- h. Refer to page 8. Identify each new function and new service performed by the affiliate, AWWSC, for the Company, and the related cost.
- i. Identify each area of increased scope and breath of service provided by AWWSC to the Company, and the related cost.
- j. Identify each change in organizational structure at AWWSC. For each such change, identify, quantify and explain the impact on IAWC.
- k. Refer to page 11. Identify all Commission orders being relied upon for the inclusion of additional rate case expense not anticipated or previously requested.
- l. For each cost that the Company proposes be amortized over 5 years, explain in detail the basis for the 5 year period.
- m. Identify and provide a copy of each RFP and the responses to RFPs.

- n. Identify each “new issue” that the Company expects to be litigated in the current case, and identify the amount of rate case expense the Company is requesting related to each new issue.
 - o. Identify, quantify and explain all efforts undertaken by the Company to limit its rate case cost for the current case.
- AG 2.21. Provide all explanations and justification of the more than \$1.1 million increase to rate case expense for the current case (total cost for current case of \$3,591,543) over the \$2,477,639 cost of the prior case, 09-0319?
- AG 2.22. Affiliated Service Company.
- a. How many attorneys does the Service Company employ?
 - b. How many attorneys employed by the Service Company appear in rate cases on behalf of an AWWC operating company?
 - c. In which states do attorneys employed by the Service Company appear on behalf of an AWWC operating company? Identify the docket numbers of each and every rate case in which attorneys employed by the Service Company appeared on behalf of an AWWC operating company from January 1, 2009 to the present.
 - d. How many months prior to the filing of this rate case did IAWC begin to prepare this rate case filing?
- AG 2.23. Refer to Schedule G-10. Please identify, quantify and show in detail how IAWC built from the actual amounts listed to the planned amounts and to the requested future test year amounts. Please break out each increase above actual, by year, into the following components:
- (a) union wage increases, by year;
 - (b) non-union wage increases, by year;
 - (c) work force increases (please identify, quantify and explain each increase);
 - (d) labor costs for vacant positions included in the 2010 amount; and
 - (e) other differences (please identify, quantify and explain each). Include related calculations.
- AG 2.24. Provide the Company’s (1) actual and (2) projected short term debt balances for each month after June 2009 through the present. Provide this information on an average monthly basis and, separately provide the month-end balances.
- AG 2.25. Has the Company mis-projected its short term debt balances for any period subsequent to June 2009? If so, please identify each such period and explain what caused the mis-projection.

- AG 2.26. Provide the Company's projected short term debt balances, showing both month-end balances and monthly average balances, for each month from December 2011 through December 2013.
- AG 2.27. For each month from November 2009 through the present, also list the Company's projected monthly average short term debt balance, and the interest on short term debt.
- AG 2.28. Has the Company ever delayed a long-term debt issuance in any period other than 2009? If not, explain fully why not. If so, please identify each such instance, and provide specifics including the amount and type of long-term debt, the target issuance date, the actual issuance date and the reasons for delay.
- a. Identify and produce all Documents that IAWC relies on for its response.
- AG 2.29. Has the Company ever delayed an equity infusion that had been planned? If not, explain fully why not. If so, please identify each such instance, and provide specifics including the amount of each such equity infusion, the target infusion date, the actual infusion date and the reasons for delay.
- AG 2.30. Has the Company ever evaluated the accuracy of its projections of short term debt? If not, explain fully why not. If so, please identify and provide a copy of all such analysis.
- a. Identify and produce all Documents that IAWC relies on for its response.
- AG 2.31. Has the Company projected any issuances of debt or equity since September 2011 and/or during 2012 or 2013?
- a. Identify and produce all Documents that IAWC relies on for its response.
- b. Have any of the projected issuances of debt or equity been delayed? If so, explain fully why.
- c. Have any issuances of debt or equity from September 2011 actually occurred? If not, explain fully why not. If so, identify the amount issued and the related cost rate.
- AG 2.32. Does the Company have any market rate comparison for its wages, salaries and benefits? If not, explain fully why not. If so, please identify, and provide a complete copy of each document used by the Company for market rate comparisons of wages and benefits in areas in proximity to its service regions, to assure that wages and benefits are in line with local markets.
- AG 2.33. Has IAWC or AWWSC ever performed cost comparisons of (1) using in-house regulatory lawyers versus (2) using outside legal counsel. If not, explain fully why not. If so, please identify, and provide a copy of all such analyses.
- a. Identify and produce all Documents that IAWC relies on for its response.

- AG 2.34. Provide detailed invoices for all attorney and consultant fees and expenses that IAWC has incurred for rate case costs in the current rate case.
- AG 2.35. Are any affiliate services charges included in the rate case expense for this docket? If so, provide detailed invoices or descriptions for attorney and witness fees and other expenses that IAWC is including in rate case costs in the current rate case.
- AG 2.36. Provide detailed invoices for all attorney and consultant fees and expenses that IAWC has incurred for rate case costs in its previous rate case.
- AG 2.37. Provide the amount of actual AWWSC charges to IAWC for pensions each year from 2009 through 2011, and as projected for 2011, 2012 and 2013.
- AG 2.38. Provide the amount of actual AWWSC charges to IAWC for OPEBs each year from 2009 through 2011, and as projected for 2011, 2012 and 2013.
- AG 2.39. Has any examination ever been conducted regarding whether and how AWWSC's and/or IAWC's funding for pensions and OPEBs has minimized costs? If not, explain fully why not. If so, please identify how this was done, and provide a copy of all Documents.
- AG 2.40. Has AWWSC or IAWC ever examined converting its defined benefit pension plan to some other type of retirement benefit in order to help control costs? If not, explain fully why not. If so, please identify how this was done, and provide a copy of all Documents.
- AG 2.41. IAWC pension and OPEB expense.
- a. Provide the amount of actual expense IAWC recorded for pensions each year from 2009 through 2011, and that IAWC projects for 2011 and for 2013.
 - b. Provide the amount of actual expense IAWC recorded for OPEBs each year from 2009 through 2011, and that IAWC projects for 2011 and for 2013.
 - c. Provide the amount of actual AWWSC charges to AIWC for OPEBs each year from 2009 through 2011, and that IAWC projects for 2011 and for 2013.
 - d. Has any examination ever been conducted regarding whether and how IAWC's funding for pensions and OPEBs has minimized costs? If not, explain fully why not. If so, please identify how this was done, and provide a copy of all Documents.
 - e. Has IAWC ever examined converting its defined benefit pension plan to some other type of retirement benefit in order to help control costs? If not, explain fully why not. If so, please identify how this was done, and provide a copy of all Documents.
- AG 2.42. Please provide detailed comparative Service Company budgets for each year, 2009 through 2013. Please provide each of those comparative documents in Excel.

- AG 2.43. Please specifically identify, by object number, and description and amount, all amounts of Service Company costs that IAWC has removed from its filing.
- AG 2.44. Has IAWC included any cost for AWWSC advertizing expense? If so, identify how much by account and provide a copy of the print advertisements and the text of all broadcast ads.
- AG 2.45. Has IAWC included any cost for AWWSC charitable contributions? If so, identify how much by account, identify and describe all of the donations.
- AG 2.46. Has IAWC included any cost for AWWSC dues and memberships? If so, what specific dues and membership charges are included? Provide an itemized list showing the name and amount for each organization.
- AG 2.47. Has IAWC included any cost for AWWSC trade shows? If so, what specific trade shows is IAWC being charged for by AWWSC? Provide an itemized list, showing the amounts for each trade show.
- AG 2.48. Has IAWC included any cost for AWWSC business development cost?
- If so, what specific business development cost is IAWC being charged for by AWWSC?
 - Provide an itemized list, showing the amounts for each AWWSC business development charge to IAWC.
 - Identify all business that was developed by AWWSC in the IAWC service territory in each year, 2009 through 2011.
 - Identify, quantify and explain all additional revenue that IAWC has received in each year, 2009 through 2011, and as projected for 2012 and 2013, that resulted from AWWSC business development.
- AG 2.49. Has IAWC included any cost for AWWSC community relations? If so, what specific community relations is IAWC being charged for by AWWSC? Provide an itemized list, showing the amounts for each community relations cost.
- AG 2.50. Has IAWC included any cost for AWWSC depreciation? Show in detail how each amount listed for AWWSC Depreciation, was derived, and provide a detailed listing of all AWWSC property that is being depreciated, the depreciation rate that is applied to each asset balance, and show in detail how the depreciation rates for each type of property were determined.
- AG 2.51. Does AWWSC use a depreciation rate study? If not, explain fully why not. If so, please identify and provide a complete copy of the most recent two depreciation rate studies used by AWWSC.
- AG 2.52. Identify the physical location of all Business Transformation assets, and the related cost.

AG 2.53. Explain why the Business Transformation project is not presented as an increase in affiliated Service Company charges.

AG 2.54. In IAWC's last rate case, 09-0319, the levels of water sales to U.S. Steel was an issue.

- a. What sales for U.S. Steel does IAWC's Revised filing reflect for each month of 2011, 2012 and 2013, and what were the actual sales in each month of 2009, 2010 and 2011?

AG 2.55. Revenue collection lag and uncollectibles.

- a. Does the Company keep billing, accounts receivable and payment records for each customer? If not, explain fully why not.
- b. Does the Company know when a customer pays? If not, explain fully why not.
- c. Does the Company know which customers in which districts have not paid the amounts for utility service that IAWC billed to them? If not, explain fully why not.
- d. Can the Company identify the amount of account receivable write offs by rate area or service district? If not, explain fully why not. If so, please provide such information for 2009 and 2010, and by month for 2011.
- e. Please identify and explain in detail the method used to determine uncollectibles by district in IAWC's last rate case.
- f. Can Company identify the amount of actual write offs and recoveries to specific customers in specific rate areas? If not, explain fully why not. If so, please provide the uncollectibles annually by rate area.

AG 2.56. Accounts receivable and uncollectibles.

- a. Please show exactly where and how IAWC reduced the Accounts Receivable by the Allowance for Doubtful accounts in determining its revenue collection lag.
- b. Does IAWC agree that residential customer bill payment is due within 20 days of the date printed on the bill? If not, explain fully why not.
- c. Does IAWC agree that a collection lag in excess of 20 days indicates that, on average, customers are paying after the due date printed on the bill? If not, explain fully why not.
- d. What amount of Late Charge revenue has IAWC reflected in the test year for each rate area? Please break out between residential and commercial if possible.
- e. What number of residential and commercial customers did IAWC project for the test year by rate area?

- f. How many late payments per average customer does the Late Charge revenue projected by IAWC for the test year represent? Please respond for each rate area, if different.
- g. Please provide an aging of accounts receivable by rate area, for each month of 2009, 2010 and 2011.
- h. Please provide the average daily amount of Allowance for Doubtful Accounts for each rate area for 2010 and 2011.

AG 2.57. Accounts Receivable

- a. Please provide the average amount of Allowance for Doubtful Accounts for each service area that relates to the average daily Accounts Receivable balances used by the Company in computing its revenue collection lag.
- b. Please provide the amount of Uncollectibles that relates to the Billed Revenue used by the Company in computing its revenue collection lag.
- c. Please provide the amount of average daily Uncollectibles that relates to the average daily Revenue used by the Company in computing its revenue collection lag.
- d. Has IAWC ever investigated the reasons for why its average collection lags exceed the payment period listed on its bills? If not, explain fully why not. If so, please identify and provide a copy of all such analysis.

AG 2.58. Service Company billing.

- a. Please identify for how many days, on average, the Service Company has the use of IAWC payments before the Service Company remits funds to the ultimate payees. Include supporting calculations.
- b. Please identify and describe in detail all steps that would be needed to modify the payment terms of the Service Company Service Agreement. Include any action that the Commission would need to take.
- c. Provide all Documents relied upon for your response.

AG 2.59. Inflation.

- a. Provide all information on generalized inflation that IAWC reviewed prior to selecting its proposed inflation adjustment.
- b. What inflation rate was assumed by IAWC for 2011, 2012 and 2013 and to what base amounts was it applied? Please show in detail.
- c. Provide all Documents relied upon for your response.
- d. Does IAWC agree that the Consumer Price Index (CPI-U) does not include the decline in housing and real estate values? If not, explain fully why not.

- e. Does IAWC agree that housing and real estate values have declined in 2009, and 2011? If not, explain fully why not.
- f. Please identify each measure of inflation that IAWC used in its filing, including but not limited to its proposed general inflation adjustment and the inflation assumptions made in its Service Company study, and identify the source for such information. Please provide the most current information from each such identified source, that is in the possession of IAWC, its affiliated Service Company, and/or its consultants.

AG 2.60. Rate case expense.

- a. Please provide a detailed listing of all consultant fees and legal expense from IAWC's last rate case, Docket No. 09-0319.
- b. Please provide the Company's understanding of the amount of rate case expense that was allowed by the Commission in Docket No. 09-0319.
- c. Please provide detailed invoices showing the rates charges and the work performed for the \$106.478 mentioned on Schedule G-5, page 11.
- d. For each prior case for which IAWC is claiming expense, please state fully IAWC's understanding of the amount allowed for rate case expense, by component, and the amortization period applied by the Commission to each such component.
- e. Provide all Documents relied upon for your response.

AG 2.61. Rate Case Expense.

- a. Please provide supporting documentation (e.g. invoices, quotes, etc.) for each of the rate case expenses shown in Schedule C-2.1.
- b. Please identify the test year, filing date and rate effective date for the Company's last five rate cases.
- c. Please provide the level of rate case expense incurred for the last five rate cases broken down by payee or type of activity.
- d. Please explain fully and in detail why the Company amortized rate case expense over thirty-six months versus some other period.
- e. Please explain fully and in detail why the Company amortized the depreciation study over five years versus some other period.

AG 2.62. Rate Case Expense.

- a. Provide a detailed amortization schedule for all prior rate case amounts.

- b. Provide a detailed itemization of all AWWSC charges. Indicate each AWWSC department that has charges for IAWC rate case cost, and provide the billing rate and invoices.
- c. To the extent not already provided elsewhere, please provide the contracts and invoices for each component of cost for the current rate case.
- d. To the extent not already provided elsewhere, please provide the contracts and invoices for each component of cost for each prior case for which IAWC seeks to charge rate case expense in the current rate case.
- e. Show in detail how the amortization periods for each component of IAWC's requested rate case cost were derived.
- f. When does IAWC anticipate filing its next rate case for this district?
- g. Does IAWC or AWWC maintain budgets or forecasts that indicate when the utility's next rate case is anticipated? If not, explain fully why not. If so, please provide such forecasts.

AG 2.63. Audit and advisory fees.

- a. Please provide the engagement letters and the full scope of work related to all services performed by PriceWaterhouseCoopers in 2009, 2010 and 2011 for IAWC, AWWSC and AWWC.
- b. For each PWC service beyond auditing please identify, quantify and explain all benefits that were realized by AWWC and/or IAWC
- c. For each PWC fee and charge for each year, please show in detail how much was charged to IAWC? In what account did IAWC record each such amount for each period?
- d. Please itemize and explain all PWC charges to AWWC, AWWSC or IAWC or charged to IAWC subsequent to 2010.

AG 2.64. Please identify, by account, all PwC charges to IAWC directly and, separately, to IAWC from affiliated allocations and charges, by account, for each period: 2009, 2010, 2011, and FTY to date. Please provide updated amounts as they become available.

AG 2.65. Please provide, in list form, the details of all judgments and/or settlements resulting from suits brought which involved the Company, its parent (American Water Works), its affiliated service company (American Water Works Service Company), or any other affiliates that charge cost to IAWC, as a defendant, 2009, 2010 or 2011 which

resulted in the payment during agreement to pay or being ordered to pay an amount in excess of \$10,000, including but not limited to:

- a. The case name;
- b. The date filed;
- c. The date of settlement or the date of judgment; and
- d. The amount the Company was ordered or agreed to pay.
- e. Provide this information even if appeals are pending and note every instance of an appeal.

AG 2.66. Provide a complete explanation of any and all expense reduction goals (cost savings programs) the Company has concerning the development of the 2010, 2011, 2012 and 2013 budgets.

AG 2.67. Provide, by year, all affiliated operating expenses charged to IAWC by account for the 10 years ending 2011 plus as forecasted for 2012 and 2013.

AG 2.68. For the historic and future test years, provide detailed support for all Management Fees included in the filing. Provide this in Microsoft Excel or compatible format. Include total charges incurred by each corporate department and the amount each of these departments allocated to IAWC. Also include the number of employees in each department and the method used to allocate charges for each department.

AG 2.69. Provide a general ledger listing or similar report of all transactions that comprise the corporate and affiliated charges allocated to IAWC.

AG 2.70. Provide the most recent 2011, 2012 and 2013 American Water Works and AWWSC operating expense budgets and 2011, 2012 and 2013 forecasts of American Water and AWWSC operating expense. Please identify all assumptions, workpapers, calculations and source documents relied upon and provide the development of all escalation factors.

AG 2.71. Please identify the total American Water, AWWSC and American Water Capital Corporation (AWCC) interest costs and the amount billed to the IAWC during 2009, 2010 and 2011 and as forecasted for the future test year by account.

AG 2.72. Provide as complete a breakdown as possible of the expenses billed by American Water Service Company and included in jurisdictional expense for 2009, 2010, 2011, and forecasted for the years 2012 and 2013. Include separately:

- a. Labor

- b. Employee benefits (by type)
 - c. Employment taxes
 - d. Outside services
 - e. Promotional, institutional and/or corporate advertising
 - f. Contributions (by entity)
 - g. Dues to organizations and social clubs (by entity)
 - h. Computer time
 - i. Regulatory costs (list docket no., jurisdictional entity, dates and description)
 - j. Travel costs
 - k. Lobbying or politically related activities
 - l. Miscellaneous. (describe)
- AG 2.73. Identify all assumptions and provide all workpapers, calculations and source documents for the 2011 recorded amounts and the documents relied upon in projecting the 2012 and 2013 forecasted level of expense.
- AG 2.74. During 2010 or 2011, were any categories of Service Company hourly charges higher than any outside service providers? If so, please identify all such instances.
- AG 2.75. Have any other state regulatory commissions studied or investigated American Water Works Service Company charges in the period 2009-2011? If so, please identify all such investigations.
- AG 2.76. Before they commenced work on a new study of affiliated Service Company services and costs, did anyone at IAWC, the Service Company, IAWC's attorneys or IAWC's consultants make any investigation of whether other state regulatory commissions studied or investigated American Water Works Service Company charges in the period 2009-2011? If not, explain fully why not. If so, please identify what specifically was done to ascertain this, and what other studies were identified and obtained.
- AG 2.77. Please provide copies of any studies or analyses prepared by or for the Company, the Service Corporation or any American Water subsidiary regarding the level of the Company's or the Service Company's wages compared to the wages paid by other utilities, service companies, or any other entity.

- AG 2.78. Is IAWC using outside service providers for any services that the Service Company is capable of providing? If so, please explain why and identify the specific services, their cost by account, how they were accounted for in 2010 and for each month in 2011 and 2012 to date.
- AG 2.79. For each Service Company cost element that was charged to IAWC, please show by district, by amount and account, for the HTY and FTY (1) IAWC's actual cost or expense by account for the 12 months ending 12/31/2010; (2) IAWC's comparable budgeted or forecast cost by account for the future test year; and (3) the amount of increase in such cost from 2011 to the FTY.
- AG 2.80. Does IAWC or its affiliates, including the affiliated Service Company, have any information concerning how IAWC's expenses in total or on a per customer basis compare with other American Water Works utility subsidiaries? If not, explain fully why not. If so, please provide all such information for 2009, 2010 and 2011 that IAWC and its affiliates have.
- AG 2.81. Please provide consolidating accounting information for American Water Works for 2009 and 2010. Please show the amounts for each subsidiary by account and all eliminations and adjustments in the consolidation.
- AG 2.82. For each IAWC and American Water Works pension plan for 2009, 2010 and 2011, please provide a list of the pension plan investments by category or type of investment, and please provide the earned return for each investment category for 2009 and 2010, and in total. Also provide similar information for 2011 and 2012 to date.
- AG 2.83. Please provide a detailed breakout of the amount of AWWSC costs included in the IAWC filing, including complete details on the costs included for each AWWSC department and function that has charged or allocated cost to IAWC.
- AG 2.84. Please identify, quantify and explain all expenses included in the Company's filing (a) in the base period and (b) in the future test year, for each of the following types of affiliated Service Company (National, Regional and Local) charges and functions:
1. Business Development Expense
 2. Corporate Contributions
 3. Legislative Influence Expense
 4. "Non-Departmental" & "NSC Functions" Expense
 5. "Non Departmental" Interest Income and Income Tax
 6. Sales and Marketing Expense

7. Payroll Reserve
8. Call Center
9. Divestiture Support
10. Depreciation
11. Interest Income Outside
12. Interest Cap Lease-AW21
13. Penalties
14. Trade Shows
15. Injuries and Damages
16. Relocation
17. Research & Development
18. Advertising
19. Contract Services-Legal
20. Contract Services-Litigation
21. Contract Services-Other
22. Expat Labor
23. Incentive Plan
24. Long Term Incentive Plan
25. Retention/Completion
26. Group Insurance
27. Expat Group Insurance
28. PBOP
29. Pension

- 30. Expat Pension
- 31. Corporate PBOP Adjustment
- 32. Corporate Pension Adjustment
- 33. Employee Expenses
- 34. Conferences & Registrations

- AG 2.85. Please provide the actual 2011 American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to IAWC.
- AG 2.86. Please provide the budgeted/forecast 2012 American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to IAWC.
- AG 2.87. Please provide the budgeted/forecast American Water Works Service Company results by Business Unit, preferably in Excel, and show the charges from each Business Unit to IAWC for the 12 months ending 9/30/2013.
- AG 2.88. Please provide an organizational chart of the Local and Regional Service Company offices that serve IAWC: (1) as of 2010 and, (2) if different, as of currently and/or 12/31/2011, (3) as projected for 12/31/2012, and (4) projected as of 9/30/2013.
- AG 2.89. Are any costs related to Sarbanes-Oxley Act (SOX) included in the filing as costs allocated to the Company by the Service Company? If so, please list all amounts and provide supporting documents. Also, indicate where in the filing the costs are included.
- AG 2.90. Please identify all charges by year by account in 2010 and 2011 to IAWC from the Regional Service Company by function and account. Please show in detail how such charges are allocated to IAWC and the other affiliates served by the Regional Service Company.
- AG 2.91. Please identify all budgeted/forecast charges by year by account for (1) calendar 2011 and (2) the actual 12 months ending 5/31/2011 to IAWC from the Regional Service Company by function and account. Please show in detail how such charges are allocated to IAWC and the other affiliates served by the Regional Service Company.
- AG 2.92. Please identify by job title and American Water Works Service Company Inc. (AWWSC) department each AWWSC employee located in Illinois, and describe how their cost is charged to IAWC.
- AG 2.93. Please provide a copy of the parent company's corporate federal tax returns and supporting "M" schedules and all consolidating schedules for 2008, 2009 and 2010.

- AG 2.94. Please provide detailed calculations of federal income taxes and state income taxes (budgeted and/or actual) for the following accounting periods:
- b. The year ended December 31, 2010 (actual);
 - c. The year ended 2011 (actual).
 - d. Future test year (budgeted)
 - e. 2012 (budgeted)
 - f. 2013 (budgeted)
- AG 2.95. Please provide the following information regarding deferred income taxes:
- g. Calculation of all timing differences reflected in ADFIT; show book amount and tax amount; indicate when amounts were included in book and in tax returns;
 - h. Tax rate applied to each timing difference;
 - i. Calculation of actual DFIT;
 - j. If different, reconcile book amount per cost of service and book amount in DFIT calculation. Identify and quantify all reconciling items.
 - k. For each year 2009 through 2011 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account. For each item by year, please reconcile the gross to net additions and explain how that reconciliation was derived.
 - l. For 2011 and 2012 (to date) please provide information requested in (e) above for each month.
- AG 2.96. Please provide worksheets which reconcile book and tax income and tax liability on the books and on the tax return for 2009, 2010 and 2011. Include all related Excel files.
- AG 2.97. Please list and explain in detail the allocation methods used to allocate state and federal tax liability and tax credits between the Company and its subsidiaries and between the Company and other American Water companies. Please provide worksheets which show a detailed derivation of the allocations for 2009, 2010 and 2011. The derivation should include separate listing of contributions, indebtedness cost, NOL (current, carryforwards and carrybacks), each credit by type (such as the investment tax credit, jobs credit), intercompany transactions.

- AG 2.98. Please provide the beginning and ending balances for 2009, 2010 and 2011 for Accumulated Deferred Income Taxes and Provisions for Deferred Income Taxes broken down by sub-account with the name and number of each sub-account.
- AG 2.99. Please also show the projected ADIT balance, by component, for 9/30/2013.
- AG 2.100. Please provide a detailed derivation of 2008, 2009, 2010 and 2011 research and development credits, including:
- a. A list of all research, development and experimentation expenditures; and for each item provide:
 - b. Separately the amounts payable to inside and outside contractors;
 - c. The amount payable in the test year;
 - d. The total expenditures to be expensed in determining federal taxable income; and
 - e. The total expenditures qualifying for the R & D credit under I.R.C. paragraph 44f.
- AG 2.101. Identify all net operating loss carrybacks and carryforwards for American Water and each American Water subsidiary including but not limited to IAWC, for 2008, 2009, 2010 and 2011, and anticipated for 2012.
- AG 2.102. What amount of American Water interest expense for tax purposes and separately for book purposes was allocated to Illinois during the test year? Please explain and provide a reconciliation of the difference.
- AG 2.103. Provide detailed descriptions of any IRS audit, settlements with the Internal Revenue Service, or audit adjustments made during the three years ending December 31, 2011.
- AG 2.104. Provide a copy of any and all revenue ruling requests, IRS responses, and correspondence between the Company and the IRS during the ten years ending December 31, 2011.
- AG 2.105. Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Illinois income and property taxes for 2009, 2010, 2011, and forecasted for the year ended 9/30/2013.
- AG 2.106. Show exactly how IAWC has treated all deductions for repairs in computing each of the following for its current rate filing, and provide supporting calculations and workpapers:
- a. Current state income tax expense
 - b. Deferred state income tax expense
 - c. Current federal income tax expense

- d. Deferred federal income tax expense
- e. Accumulated deferred state income taxes
- f. Accumulated deferred federal income taxes
- g. Identify all other accounts on IAWC's income statement and balance sheets for the test year, and as reflected in the Company's pro forma adjustments, that relate to repairs deductions, and show in detail how each of those amounts were derived.

AG 2.107. Provide test year general ledger pages listing all transactions affecting the following:

- a. Current state income tax expense
- b. Deferred state income tax expense
- c. Current federal income tax expense
- d. Deferred federal income tax expense
- e. Accumulated deferred state income taxes
- f. Accumulated deferred federal income taxes
- g. Each other account on IAWC's income statement and balance sheets for the test year that relate to repairs deductions claimed for state or federal income tax purposes.

AG 2.108. Business Transformation initiatives and related tax impacts.

- a. Provide a detailed itemization of all plant additions in each year, 2010, 2011, forecasted for 2012 and the twelve months ending 9/30/2013, related to the American Water Works Business Transformation ("BT") initiative.
- b. Identify the amount of bonus tax depreciation taken or anticipated in each year, 2010, 2011, 2012 and the 12 months ending 9/30/2013 related to each BT initiative project.

AG 2.109. Please state the effect on American Water Works' balance sheet, by account, from using the bonus tax depreciation on its 2010 federal income tax return.

AG 2.110. Please state the effect on American Water Works' balance sheet, by account, if the bonus tax depreciation is used on its 2011 federal income tax return.

AG 2.111. Please state the effect on Illinois-American's balance sheet, by account, from using the bonus tax depreciation on its 2010 federal income tax return.

AG 2.112. Please state the effect on Illinois-American's balance sheet, by account, if the bonus tax depreciation is used on its 2012 federal income tax return.

AG 2.113. ADIT and SFAS 109.

- a. Please identify, quantify and explain all impacts on expenses and rate base from SFAS 109.
- b. When did the Company adopt SFAS 109 for financial reporting purposes?
- c. Is this the first rate case in which IAWC has attempted to apply SFAS 109 for ratemaking purposes? If not, explain fully why not, and identify the other rate cases in which IAWC attempted to use SFAS 109 for ratemaking purposes. If so, explain fully why.

AG 2.114. Uncertain tax positions and FIN 48.

- a. Identify all American Water Works (AWWC) and IAWC uncertain tax positions as of each of the following dates: 12/31/2009; 12/31/2010; 12/31/2011 and as projected for 12/31/2012 and 9/30/2013.
- b. Identify all AWWC and IAWC FIN 48 amounts, by account, as of each of the following dates: 12/31/2009; 12/31/2010; 12/31/2011 and as projected for 12/31/2012 and 9/30/2013.
- c. For each item identified in response to parts a and b, explain in detail how IAWC has reflected it for ratemaking purposes.
- d. Identify, quantify and explain fully all tax benefits claimed on a tax return for 2009 and 2010 or anticipated to be claimed on a tax return for 2011 and 2012 that IAWC has not reflected for ratemaking purposes as either (1) a reduction to income tax expense, (2) a reduction to rate base, or (3) an increase to Accumulated Deferred Income Taxes or other cost-free capital reflected in the capital structure.

AG 2.115. Please provide worksheets which reconcile book and tax income and tax liability on the books and on the tax return for 2009, 2010 and 2011. Include all related Excel files.

AG 2.116. Show in detail how IAWC has reflected 2011 and plans to reflect 2012 and the twelve months ending 9/30/2013 bonus tax depreciation on plant additions in each of those years. Include detailed calculations, preferably in Excel, showing the qualifying assets, the bonus depreciation deductions and the impact on ADIT in each year.

AG 2.117. Show in detail how IAWC has reflected the §199 deduction for domestic production in its calculation of income tax expense for 2009, 2010 and 2011 and plans to for 2012 and the twelve months ending 9/30/2013.

- a. Provide the related tax forms including form 8903 for each year.
- b. Provide all Excel files related to performing and supporting the calculations show on form 8903.

AG 2.118. Show in detail how the parent company, American Water Works, has reflected the §199 deduction for domestic production in its calculation of income tax expense for 2009, 2010, 2011 and plans for 2011 and the twelve months ending 9/30/2013.

- a. Provide the related tax forms including form 8903 for each year.
- b. Provide all Excel files related to performing and supporting the calculations show on form 8903.

AG 2.119. Will American Water Works and IAWC use the 100% bonus depreciation in 2011? If not, explain fully why not and provide all analyses showing NOL carryforwards as of 12/31/2010 and at 12/31/2011 at AWWC and IAWC, and the forecast use of such NOLs throughout the 20 year NOL carryforward period. If so, please provide all estimates and calculations, preferably in Excel, of 2011 bonus tax depreciation for IAWC and, separately, for AWWC.

AG 2.120. Will American Water Works and IAWC use the 50% bonus depreciation in 2012? If not, explain fully why not and provide all analyses showing projected NOL carryforwards as of 12/31/2011 and at 12/31/2012 at AWWC and IAWC, and the forecast use of such NOLs throughout the 20 year NOL carryforward period. If so, please provide all estimates and calculations, preferably in Excel, of 2011 bonus tax depreciation for IAWC and, separately, for AWWC.

AG 2.121. Bonus Tax Depreciation

- a. Please confirm that any tax NOL can be carried forward for 20 years to reduce future income taxes. If this cannot be confirmed, explain fully why this is not the case.
- b. Provide all analysis performed by or for American Water Works and for IAWC comparing the projected results of (1) claiming 2011 bonus tax depreciation and (2) not claiming 2011 bonus tax depreciation. Include all assumptions and supporting workpapers.
- c. Provide all American Water Works and IAWC projections of taxable income that were used to evaluate whether using 2011 bonus tax depreciation will result in overall tax savings during 2011 and each year of the 20-year NOL carry forward period.
- d. How does IAWC propose to compensate Illinois ratepayers for any imprudence effects and/or higher revenue requirements for 2011 and each year of the 20-year NOL carry forward period if the parent company decides not to use 2011 bonus tax depreciation? Explain fully and show in detail.

- e. How much current income tax expense is IAWC claiming for the future test year, before and after its requested revenue increase? Show in detail.
- f. What amount of tax Net Operating Income (Loss) does IAWC have as of each date: 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011?
- g. Show in detail how the IAWC tax Net Operating Income (Loss) as of 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011 were determined.
- h. What amount of tax Net Operating Income (Loss) does American Water Works Company have as of each date: 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011?
- i. Show in detail how the American Water Works Company tax Net Operating Income (Loss) as of 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011 were determined.
- j. Show in detail how much federal taxable income IAWC has for the future test year as if the Company's requested revenue increase were to be granted in full. Include supporting calculations.
- k. Provide all Excel files, electronically, with formulas and calculations intact, relative to your answers to this data request.

AG 2.122. Bonus Tax Depreciation

- a. Provide all projections of IAWC's taxable income for 2012 and the entire 20-year net operating loss carry-forward period applicable to a 12/31/2011 NOL.
- b. Show in detail how IAWC evaluated the interaction of (1) 2011 bonus tax depreciation, (2) repairs deductions, and (3) Internal Revenue Code §199 deductions for qualified domestic production activities for 2011 and each year in the 20-year NOL carry-forward period.
- c. Provide all projections of IAWC's and each other subsidiary of American Water Works taxable income for 2011 and each future year in the 20-year NOL carry forward period.
- d. What amount of taxable income did IAWC report, or is projected for IAWC, in each year: (1) 2009, (2) 2010, (3) 2011, (4) each year in the 20-year period subsequent to 2011?

AG 2.123. What amount of Internal Revenue Code §199 deductions for qualified domestic production activities has IAWC reflected for the future test year? (1) Show in detail how that amount was derived including all supporting calculations.

AG 2.124. What amount of Internal Revenue Code §199 deductions for qualified domestic production activities has IAWC reflected for each tax year, 2009, 2010 and 2011? (1) Show in detail how that amount was derived including all supporting calculations.

AG 2.125. Identify when the IAWC and American Water Works Company, Inc. 2011 federal income tax return will be filed.

- AG 2.126. Can IAWC take 2011 bonus tax depreciation if other affiliates participating in the American Water Works Company, Inc. 2011 consolidated federal income tax return do not? If not, explain fully why not.
- AG 2.127. Can IAWC take 2012 bonus tax depreciation if other affiliates participating in the American Water Works Company, Inc. 2012 consolidated federal income tax return do not? If not, explain fully why not.
- AG 2.128. Identify and provide all projections of taxable income and Net Operating Income (Loss) for IAWC and the related impacts on IAWC's revenue requirements for the 2011 tax year, and the 20-year NOL carry forward period that were reviewed or prepared by or for IAWC or American Water Works Company, Inc. or the American Water Works Service Company tax department.
- AG 2.129. Provide all Excel files related to the analysis of American Water Works Company, Inc. and IAWC Net Operating Income (Loss).
- AG 2.130. Concerning federal income taxes.
- a. Did American Water Works Company pay federal income tax in 2008, 2009 or 2010? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
 - b. Did American Water Works Company pay federal income tax in 2011 or expect to pay any? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
 - c. Does American Water Works Company expect to pay federal income tax in 2012? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid and how it was derived.
 - d. Does American Water Works Company expect to pay federal income tax in 2013? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid and how it was derived.
 - e. When is the next year in which American Water Works Company expects to pay federal income tax?
 - f. Has American Water Works Company paid federal alternative minimum tax in any tax, year, 2006 through 2011? If not, explain fully why not. If so, identify the amount of federal AMT paid by American Water Works Company in each year.
 - g. Provide all federal income tax projections American Water Works Company has concerning when it anticipates having to pay federal income tax in each year, 2012 through the 20-year NOL carryforward period applicable to the AWWC FIT Net Operating Income (Loss) at 12/31/2010.
 - h. Did Illinois American Water Company pay federal income tax in 2010? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.

- i. Did Illinois American Water Company pay federal income tax in 2011 or expect to pay any? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- j. Does Illinois American Water Company expect to pay federal income tax in 2012? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid, and how it was derived.
- k. When is the next year in which IAWC expects to pay federal income tax?
- l. Has IAWC paid federal alternative minimum tax in any tax, year, 2006 through 2011? If not, explain fully why not. If so, identify the amount of federal AMT paid by IAWC in each year.
- m. Provide all federal income tax projections Illinois American Water Company has concerning when it anticipates having to pay federal income tax in each year, 2012 through the 20-year NOL carryforward period applicable to the AWWC FIT Net Operating Income (Loss) at 12/31/2010.

AG 2.131. Concerning Illinois State Income Taxes.

- a. Did American Water Works Company pay Illinois State income tax in 2010? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- b. Did American Water Works Company pay Illinois State income tax in 2011 or expect to pay any? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- c. Does American Water Works Company expect to pay Illinois State income tax in 2012? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid.
- d. Provide all Illinois State income tax projections American Water Works Company has concerning when it anticipates having to pay Illinois State income tax in each year, 2012 through 2020.
- e. Did Illinois American Water Company pay Illinois State income tax in 2010? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- f. Did Illinois American Water Company pay Illinois State income tax in 2011 or expect to pay any? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid and how it was determined.
- g. Does Illinois American Water Company expect to pay Illinois State income tax in 2012? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid and how it was determined.
- h. Provide all Illinois State income tax projections Illinois American Water Company has concerning when it anticipates having to pay Illinois State income tax in each year, 2012 through 2020.

AG 2.132. For each of the AWWC – FIT Net Operating Income (Loss) amounts as of 12/31/2009 and 12/31/2010, provide the following information, concerning the amounts of such Net Operating Income (Loss) that relate to each of the following:

- a. Accelerated tax depreciation.
- b. Repairs deductions under the new tax account method for repairs deductions adopted by AWWC in its 2008 federal income tax return.
- c. CIAC.
- d. Other – please itemize.

AG 2.133. How much is IAWC requesting in the current rate case for each of the following components of income tax expense:

- a. Current Federal Income Tax Expense?
- b. Deferred Federal Income Tax Expense?
- c. Current Illinois State Income Tax Expense?
- d. Deferred Illinois State Income Tax Expense?
- e. Investment Tax Credit Amortization?
- f. Total Income Tax Expense?
- g. Show in detail how each of the above amounts was derived and provide related Excel files containing the detailed calculations.

AG 2.134. Identify all FIN 48 interest recorded on IAWC's books, by account, for each year, 2009, 2010, 2011 and 2012 to date.

- a. Provide the general ledger pages showing the FIN 48 interest for each period.
- b. Provide the journal entries showing the FIN 48 interest for each period.
- c. Provide a detailed explanation and supporting calculations showing exactly how the FIN 48 interest was calculated for each period, including identifying and explaining the source and basis for the interest rate used and the balance of "uncertain" tax positions to which the interest rate was applied.
- d. Identify the amount of FIN 48 interest recorded by IAWC, by account, in each year: 2009, 2010 and 2011 and as projected for 2012, 2013 and the future test year.

AG 2.135. AWWC NOL Carryforward.

- a. Show in detail how the American Water Works 12/31/2010 NOL carryforward of \$1,185,337,000 was built up by year from 2004 through 2010.
- b. Show how the American Water Works 12/31/2010 NOL carryforward of \$1,185,337,000 is anticipated to be applied against taxable income in each year of the 20-year NOL carryforward period. Include supporting calculations and related Excel files showing the projected taxable income and NOL application in each year.

AG 2.136. Alternative Minimum Tax.

- a. Did American Water Works Company, Inc. pay any alternative minimum tax for tax year 2010?
 - 1.If not, explain fully why not.
 - 2.If so, identify the amount and provide the supporting tax forms and related calculations showing in detail how the amount of AMT for 2010 was derived.
- b. Is American Water Works Company, Inc. expecting to pay any alternative minimum tax for any tax year after 2010? If so, please identify each year after 2010 in which AWWC expects to pay federal alternative minimum tax.
- c. Provide all analysis and related Excel files related to the response that American Water Works Company, Inc. is expected to pay alternative minimum tax in 2011.
- d. Provide all analysis and related Excel files related to the response that American Water Works Company, Inc. is expected to pay alternative minimum tax in 2012.
- e. Provide all analysis and related Excel files related to the response that American Water Works Company, Inc. is expected to pay alternative minimum tax in 2013.
- f. Provide all analysis and related Excel files related to the response that American Water Works Company, Inc. is expected to pay alternative minimum tax in 2014.
- g. Provide all analysis and related Excel files related to the response that American Water Works Company, Inc. is expected to pay alternative minimum tax in 2015.
- h. How much of AWWC alternative minimum tax in 2010 is charged or allocated to IAWC? Identify the amount and provide supporting calculations.
- i. How much of the AWWC alternative minimum tax in each year, 2011 through 2013 is anticipated to be charged or allocated to IAWC? Identify the amount and provide supporting calculations.

AG 2.137. Tax impacts of repairs deduction.

- a. Show in detail how IAWC has accounted for the tax impacts of each year's repairs deduction on its books, and provide the related amounts by account for each year, 2009 through 2011 and as projected by month from January 2012 through September 2013.
- b. Show in detail how IAWC has accounted for the tax impacts of each year's repairs deduction for ratemaking purposes in the current case, and provide the related amounts by account for each year through 2011, and as projected by month from January 2012 through September 2013.

AG 2.138. State Income Taxes

- a. When was the 2010 Illinois State Income Tax Return filed?
- b. When will the 2011 Illinois State Income Tax Return be filed?

- c. Provide a copy and all supporting schedules and workpapers for the 2010 and 2011 Illinois state income tax returns.

AG 2.139. Rate case expense.

- a. When does IAWC anticipate filing its next rate case?
- b. Please provide all documents, forecasts and internal planning memos related to when IAWC plans to file its next rate case.

AG 2.140. Please confirm that the Company would over-recover its rate case expense if the period between rate cases exceeds the proposed amortization period. If your response is anything less than an unqualified confirmation, explain fully and provide all Documents relied upon.

AG 2.141. Affiliated service company charges.

- a. Please identify the number of Chicago Metro sewer customers who receive no allocation of Service Company charges.
- b. Please confirm that the allocation of Service Company charges to a service area can be waived in order to have the benefit of reducing the level of requested rate increase, as IAWC has done for Chicago Metro Waste Water. If your response is anything other than an unqualified confirmation, explain fully and provide all documents relied upon.

Subject: 11-0767 - AG 2d set of data requests

Date: Friday, January 13, 2012 5:50:17 PM Central Standard Time

From: Albert D. Sturtevant

To: 'Satter, Susan L.'

CC: @ Reichart, John J., 'Kenneth.Jones@amwater.com'

Sue

As we discussed, attached is a list of overlapping / duplicative data requests within the AG 2 set. The list also includes reference to Staff DRs that already address the question posed.

As we discussed, it would be easier administratively if a revised set of DRs continues to use the same numbering as originally submitted, with deletions or revisions noted.

If you have any questions please give me a call.

Note new address and phone number

Albert Sturtevant

Carpenter Lipps & Leland LLP

180 N. LaSalle Street, Suite 2640

Chicago, IL 60601

sturtevant@carpenterlipps.com

(312) 777-4300 (Main)

(312) 777-4820 (Direct)

(773) 531-8979 (Mobile)

Duplicative/Overlapping Data Requests

- AG 2.10, AG2.20h, AG 2.20i
- AG 2.20j, TQS 1.01
- AG 2.20o, JMO 1.01
- AG 2.21, JMO 1.01
- AG 2.24, AG 2.26, AG 2.27, JF 3.01
- AG 2.34, JMO 1.01
- AG 2.35, JMO 1.05
- AG 2.37, AG 2.41c, DLH 11.01, DLH 7.02, DLH 14.02, et seq.
- AG 2.38, DLH 11.01, DLH 7.02, DLH 14.02, et seq.
- AG 2.40, AG 2.41e
- AG 2.41a, DLH 7.02
- AG 2.56e, AG 1.17
- AG 2.59b, AG, 2.59c, WRJ 1.08
- AG 2.59b. AG 2.59c, AG 2.59f
- AG 2.60 a, AG 2.36
- AG 2.60c, AG 2.34
- AG 2.61 a, JMO 1.01
- AG 2.61c, AG 2.36, AG 2.60a
- AG 2.62 b, AG 2.35a
- AG 2.62c, AG 2.34, AG 2.61a
- AG 2.62d, AG 2.36, AG 2.60a, AG 2.61c
- AG 2.62e, AG 2.61d, AG 2.61e
- AG 2.63d, AG 2.64
- AG 2.70, AG 2.42
- AG 2.72, AG2.42
- AG 2.72e, AG 2.44
- AG 2.72f, AG 2.45
- AG 2.72g, AG 2.26
- AG 2.79, AG 2.67, AG 2.68, AG 2.69, AG 2.70
- AG 2.81, DLH 12.03
- AG 2.83, AG 2.72, AG 2.84
- AG 2.84(1), AG 2.48a, AG 2.48b, AG 2.48c, AG 2.48d
- AG 2.84(2), AG 2.44, AG 2.72f
- AG 2.84(3), AG 2.72k
- AG 2.84(6), AG 2.44, AG 2.72
- AG 2.84(10), AG 2.50
- AG 2.84(14), AG 2.47, AG 2.72g
- AG 2.84(18), AG 2.72e
- AG 2.84(21), AG 2.72d

- AG 2.84 (22), AG 2.72a
- AG 2.84(34), AG 2.46, AG 2.47
- AG 2.86, AG 2.67, AG 2.68, AG 2.69, AG 2.70, AG 2.79
- AG 2.87, AG 2.67, AG 2.68, AG 2.69, AG 2.70, AG 2.79
- AG 2.88, AG 2.20j, TSQ 1.01
- AG 2.90, AG 2.72
- AG 2.91, AG 2.72
- AG 2.94, AG 2.16, AG 2.17
- AG 2.95, AG 2.98
- AG 2.100b, AG 2.84(17)
- AG 2.108, DLH 1.01
- AG 2.119, AG 2.110
- AG 2.120, AG 2.112
- AG 2.123, AG 2.117
- AG 2.124, AG 2.117
- AG 2.128, AG 2.121h
- AG 2.129, AG 2.121k
- AG 2.130h, AG 2.115, AG 2.94
- AG 2.130l, AG 2.94, AG 2.115
- AG 2.131b, AG 2.94d
- AG 2.133, AG 2.106
- AG 2.135, AG 2.119, AG 2.220, AG 2.121
- AG 2.136a, AG 2.137b, AG 2.130f
- AG 138a, AG 138b, AG 2.31e, AG 2.31f
- AG 2.139a, AG 2.62f

From: Satter, Susan L. [<mailto:SSatter@atg.state.il.us>]

Sent: Tuesday, January 17, 2012 4:56 PM
To: Albert D. Sturtevant
Cc: @ Reichart, John J.; 'R Smith'
Subject: RE: 11-0767 - AG 2d set of data requests

Dear Bert,

Thank you for sending this list. I am going through it now, and can make some modifications, although there always seem to be *some* differences among the questions. Some questions could be combined into one (e.g. "all invoices" could be combined with "all documents") but we do not want to create a situation where a question is modified to the extent that some information is not covered. I hope to get you something in the next day or so.

We noticed that the Company may have a DR database going that lists the requests and subject matter. **Would the Company be willing to share that listing with us, as having it would likely help us see quickly what has already been asked and thus avoid inadvertent duplication on future discovery.** I did a spot check and several of the Staff DRs you reference have not been answered yet, so we will await service of those answers (JMO 1.01, TQS 1.01, some DLH).

Sue

Susan L. Satter

Senior Assistant Attorney General

100 West Randolph Street

Chicago, Illinois 60601

Telephone: (312) 814-1104

Fax: (312) 814-3212

From: Albert D. Sturtevant [<mailto:sturtevant@CarpenterLipps.com>]

Sent: Friday, January 13, 2012 5:50 PM
To: Satter, Susan L.
Cc: @ Reichart, John J.; 'Kenneth.Jones@amwater.com'
Subject: 11-0767 - AG 2d set of data requests

Sue

As we discussed, attached is a list of overlapping / duplicative data requests within the AG 2 set. The list also includes reference to Staff DRs that already address the question posed.

As we discussed, it would be easier administratively if a revised set of DRs continues to use the same numbering as originally submitted, with deletions or revisions noted.

If you have any questions please give me a call.

Note new address and phone number

Albert Sturtevant
Carpenter Lipps & Leland LLP
180 N. LaSalle Street, Suite 2640

Chicago, IL 60601
sturtevant@carpenterlipps.com

(312) 777-4300 (Main)

(312) 777-4820 (Direct)
(773) 531-8979 (Mobile)

Subject: RE: 11-0767 - AG 2d set of data requests
Date: Wednesday, January 18, 2012 9:46:15 PM Central Standard Time
From: Albert D. Sturtevant
To: 'Satter, Susan L.'
CC: @ Reichart, John J., 'R Smith'

Sue

The Company's internal DR tracking process reflects work product and / or confidential information and would be difficult to provide. However, we are attaching a set of every data request issued to the Company as of this morning (1/18), which may be of use in reviewing what has already been asked.

Note new address and phone number

Albert Sturtevant
Carpenter Lipps & Leland LLP
180 N. LaSalle Street, Suite 2640
Chicago, IL 60601
sturtevant@carpenterlipps.com
(312) 777-4300 (Main)
(312) 777-4820 (Direct)
(773) 531-8979 (Mobile)

From: Satter, Susan L. [mailto:SSatter@atg.state.il.us]
Sent: Tuesday, January 17, 2012 4:56 PM
To: Albert D. Sturtevant
Cc: @ Reichart, John J.; 'R Smith'
Subject: RE: 11-0767 - AG 2d set of data requests

Dear Bert,

Thank you for sending this list. I am going through it now, and can make some modifications, although there always seem to be *some* differences among the questions. Some questions could be combined into one (e.g. "all invoices" could be combined with "all documents") but we do not want to create a situation where a question is modified to the extent that some information is not covered. I hope to get you something in the next day or so.

We noticed that the Company may have a DR database going that lists the requests and subject matter. **Would the Company be willing to share that listing with us, as having it would likely help us see quickly what has already been asked and thus avoid inadvertent duplication on future discovery.** I did a spot check and several of the Staff DRs you reference have not been answered yet, so we will await service of those answers (JMO 1.01, TQS 1.01, some DLH).

Sue

Susan L. Satter
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100 West Randolph Street
Chicago, Illinois 60601
Telephone: (312) 814-1104
Fax: (312) 814-3212

From: Albert D. Sturtevant [mailto:sturtevant@CarpenterLipps.com]
Sent: Friday, January 13, 2012 5:50 PM
To: Satter, Susan L.
Cc: @ Reichart, John J.; 'Kenneth.Jones@amwater.com'
Subject: 11-0767 - AG 2d set of data requests

Sue

As we discussed, attached is a list of overlapping / duplicative data requests within the AG 2 set. The list also includes reference to Staff DRs that already address the question posed.

As we discussed, it would be easier administratively if a revised set of DRs continues to use the same numbering as originally submitted, with deletions or revisions noted.

If you have any questions please give me a call.

Note new address and phone number

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sturtevant@carpenterlipps.com
(312) 777-4300 (Main)
(312) 777-4820 (Direct)
(773) 531-8979 (Mobile)

From: Satter, Susan L. [mailto:SSatter@atg.state.il.us]
Sent: Tuesday, January 24, 2012 11:48 AM
To: Albert D. Sturtevant
Subject: RE: 11-0767 - AG 2d set of data requests

I made some progress, but will have a difficult time getting to it this week. I'll try. Here is what I have so far.

From: Albert D. Sturtevant [mailto:sturtevant@CarpenterLipps.com]
Sent: Monday, January 23, 2012 12:13 PM
To: Satter, Susan L.
Subject: RE: 11-0767 - AG 2d set of data requests

Hi Sue – what's the status of the revisions? Thanks

Note new address and phone number

Albert Sturtevant
Carpenter Lipps & Leland LLP
180 N. LaSalle Street, Suite 2640
Chicago, IL 60601
sturtevant@carpenterlipps.com
(312) 777-4300 (Main)
(312) 777-4820 (Direct)
(773) 531-8979 (Mobile)

From: Satter, Susan L. [mailto:SSatter@atg.state.il.us]
Sent: Tuesday, January 17, 2012 5:32 PM
To: Albert D. Sturtevant
Subject: RE: 11-0767 - AG 2d set of data requests

I'll check the CD.

From: Albert D. Sturtevant [mailto:sturtevant@CarpenterLipps.com]
Sent: Tuesday, January 17, 2012 4:31 PM
To: Satter, Susan L.
Cc: @ Reichart, John J.; 'R Smith'
Subject: RE: 11-0767 - AG 2d set of data requests

Sue – let me check on the DR listing.

JMO 1.01 and TQS 1.01 should be on the CD we provided. Let me know if they are not.

Note new address and phone number

Albert Sturtevant
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180 N. LaSalle Street, Suite 2640
Chicago, IL 60601
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(773) 531-8979 (Mobile)

From: Satter, Susan L. [mailto:SSatter@atg.state.il.us]
Sent: Tuesday, January 17, 2012 4:56 PM
To: Albert D. Sturtevant
Cc: @ Reichart, John J.; 'R Smith'
Subject: RE: 11-0767 - AG 2d set of data requests

Dear Bert,

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We noticed that the Company may have a DR database going that lists the requests and subject matter. **Would the Company be willing to share that listing with us, as having it would likely help us see quickly what has already been asked and thus avoid inadvertent duplication on future discovery.** I did a spot check and several of the Staff DRs you reference have not been answered yet, so we will await service of those answers (JMO 1.01, TQS 1.01, some DLH).

Sue

Susan L. Satter
Senior Assistant Attorney General
100 West Randolph Street
Chicago, Illinois 60601
Telephone: (312) 814-1104
Fax: (312) 814-3212

From: Albert D. Sturtevant [mailto:sturtevant@CarpenterLipps.com]
Sent: Friday, January 13, 2012 5:50 PM
To: Satter, Susan L.
Cc: @ Reichart, John J.; 'Kenneth.Jones@amwater.com'
Subject: 11-0767 - AG 2d set of data requests

Sue

As we discussed, attached is a list of overlapping / duplicative data requests within the AG 2 set. The list also includes reference to Staff DRs that already address the question posed.

As we discussed, it would be easier administratively if a revised set of DRs continues to use the same numbering as originally submitted, with deletions or revisions noted.

If you have any questions please give me a call.

Note new address and phone number

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sturtevant@carpenterlipps.com
(312) 777-4300 (Main)
(312) 777-4820 (Direct)
(773) 531-8979 (Mobile)

Duplicative/Overlapping Data Requests

- AG 2.10, AG 2.20h, AG 2.20i – Questions similar but not identical to assure that everything is covered: the questions ask about (1) different services, (2) new services, (3) expanded services.
- AG 2.20j, TQS 1.01
- AG 2.20o, JMO 1.01
- AG 2.21, JMO 1.01
- AG 2.24, AG 2.26, AG 2.27, JF 3.01*
- AG 2.34, JMO 1.01
- AG 2.35, JMO 1.05
- AG 2.37, AG 2.41c, DLH 11.01, DLH 7.02, DLH 14.02, et seq.
- AG 2.38, DLH 11.01, DLH 7.02, DLH 14.02, et seq.
- AG 2.40, AG 2.41e (AG 2.40 addresses IAWC and AWWSC, whereas 2.41e addresses IAWC alone.)
- AG 2.41a, DLH 7.02
- AG 2.56e, AG 1.17 – Questions not the same. AG 2.56e asks for the number of customers projected; AG 1.17 asks how the number was calculated.
- AG 2.59b, AG, 2.59c, WRJ 1.08
- AG 2.59b, AG 2.59c, AG 2.59f – Questions not the same.
- AG 2.60 a, AG 2.36 Questions not the same. AG 2.60a asks for a listing of costs and AG 2.36 asks for invoices
- AG 2.60c, AG 2.34 Questions not the same. AG 2.60c asks about a specific cost on G-5, page 11 and AG 2.34 asks for all invoices for the current rate case. There may be overlap but the questions are not the same.
- AG 2.61 a, JMO 1.01
- AG 2.61c, AG 2.36, AG 2.60a -- Questions not the same. AG 2.61c asks for information on the last five rate cases, whereas 2.60a and AG 2.36 refer only to the last rate case. There may be overlap but the questions are not the same.
- AG 2.62 b, AG 2.35a – Questions not the same. Delete AG 2.35 but amend AG 2.62b to include AWWSC and other affiliates.
- AG 2.62c, AG 2.34, AG 2.61a -- AG 2.34 deleted, AG 2.62c asks for residual documents
- AG 2.62d, AG 2.36, AG 2.60a, AG 2.61c -- Questions not the same. AG 2.60a asks for a listing of costs and AG 2.36 asks for invoices, AG 2.61c covers the last five rate cases, and AG 2.62d asks for residual documents.
- AG 2.62e, AG 2.61d, AG 2.61e-- Questions not the same. AG 2.61d and e address specific costs and AG 2.62e ask for “each component” of the rate case cost, to reach components other than the overall rate case expense and the depreciation study (e.g. the COSS).
- AG 2.63d, AG 2.64
- AG 2.70, AG 2.42
- AG 2.72, AG 2.42
- AG 2.72e, AG 2.44
- AG 2.72f, AG 2.45
- AG 2.72g, AG 2.26

- AG 2.79, AG 2.67, AG 2.68, AG 2.69, AG 2.70
- AG 2.81, DLH 12.03
- AG 2.83, AG 2.72, AG 2.84
- AG 2.84(1), AG 2.48a, AG 2.48b, AG 2.48c, AG 2.48d
- AG 2.84(2), AG 2.44, AG 2.72f
- AG 2.84(3), AG 2.72k
- AG 2.84(6), AG 2.44, AG 2.72
- AG 2.84(10), AG 2.50
- AG 2.84(14), AG 2.47, AG 2.72g
- AG 2.84(18), AG 2.72e
- AG 2.84(21), AG 2.72d
- AG 2.84 (22), AG 2.72a
- AG 2.84(34), AG 2.46, AG 2.47
- AG 2.86, AG 2.67, AG 2.68, AG 2.69, AG 2.70, AG 2.79
- AG 2.87, AG 2.67, AG 2.68, AG 2.69, AG 2.70, AG 2.79
- AG 2.88, AG 2.20j, TSQ 1.01
- AG 2.90, AG 2.72
- AG 2.91, AG 2.72
- AG 2.94, AG 2.16, AG 2.17
- AG 2.95, AG 2.98
- AG 2.100b, AG 2.84(17)
- AG 2.108, DLH 1.01
- AG 2.119, AG 2.110
- AG 2.120, AG 2.112
- AG 2.123, AG 2.117
- AG 2.124, AG 2.117
- AG 2.128, AG 2.121h
- AG 2.129, AG 2.121k
- AG 2.130h, AG 2.115, AG 2.94
- AG 2.130l, AG 2.94, AG 2.115
- AG 2.131b, AG 2.94d
- AG 2.133, AG 2.106
- AG 2.135, AG 2.119, AG 2.220, AG 2.121
- AG 2.136a, AG 2.137b, AG 2.130f
- AG 138a, AG 138b, AG 2.31e, AG 2.31f
- AG 2.139a, AG 2.62f

Subject: 11-0767 AG 4th Set of Data Requests

Date: Tuesday, January 31, 2012 5:21:26 PM Central Standard Time

From: Satter, Susan L.

To: 'rbalough@balough.com', 'dawn.bisdorf@gmail.com', 'cbalough@balough.com', 'joseph.hooker@ci.champaign.il.us', 'kenneth.jones@amwater.com', 'mlannon@icc.illinois.gov', 'Luckey, Nicole', Olivero, James, Randall, Erica, 'drankin@lrklaw.com', 'Albert D. Sturtevant', Anne M. Zehr, 'Kathleen E. Ratcliffe', '@ Reichart, John J.', @ Robertson, Eric, @ Robertson, Ryan, 'mroomberg@ladenburg.com', Satter, Susan L., Rebecca L. Segal, 'R Smith', 'Thomas Q. Smith', Mark A. Whitt, Yu, Cathy

CC: 'sturtevant@whitt-sturtevant.com', 'whitt@whitt-sturtevant.com', 'ratcliffe@whitt-sturtevant.com', 'zehr@whitt-sturtevant.com'

Attached please find the People of the State of Illinois's Fourth Set of Data Requests addressed to Illinois American Water Company. If you have any questions, please forward them to me.

Susan L. Satter
Senior Assistant Attorney General
100 West Randolph Street
Chicago, Illinois 60601
Telephone: (312) 814-1104
Fax: (312) 814-3212



**OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS**

Lisa Madigan
ATTORNEY GENERAL

January 31, 2012

Via Electronic Mail

John Reichart
Illinois American Water Company
727 Craig Road
St. Louis, MO 63141

Albert D. Sturtevant
Atty. for Illinois-American Water Company
Carpenter Lipps & Leland LLP
180 N. LaSalle St., Ste. 2640
Chicago, IL 60601

**Re: People of the State of Illinois's Fourth Set of Data Requests to
Illinois American Water Company ("IAWC")
ICC Docket No. 11-0767**

Dear Messrs. Reichart and Sturtevant:

Enclosed please find the Fourth Set of Data Requests from the People of the State of Illinois, by the office of the Attorney General ("AG"), numbered **AG 4.1 through AG 4.28** directed to Illinois American Water Company. ("IAWC"). We ask that the responses be provided as soon as possible but **no later than February 14, 2012**. If you become aware that you will not be able to provide a response by February 14, 2012, please notify counsel as soon as possible, and also indicate when the responses will be provided. We would prefer answers as they become available rather than waiting for all responses to be completed.

Please direct the responses to me, Cathy Yu, Ralph Smith, Scott Rubin and Erica Randall, electronically at the following e-mail addresses: ssatter@atg.state.il.us; cyu@atg.state.il.us; RSmithLA@aol.com; scott.j.rubin@gmail.com and aerandall@atg.state.il.us . If you have any questions regarding the data requests please do not hesitate to contact me.

Sincerely,

/s/

Susan L. Satter
Senior Assistant Attorney General
Illinois Attorney General's Office
Public Utilities Bureau
100 W. Randolph Street, 11th Floor
Chicago, Illinois 60601
ssatter@atg.state.il.us

Enclosure

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois American Water Company)	
)	
)	ICC Docket No. 11-0767
Proposed general increase in)	
Water and Sewer rates)	

**People of the State of Illinois's Fourth Set of Data Requests to
Illinois American Water Company ("IAWC")**

Definitions

As used in this introduction, and in the information/data requests that follow, "you", "yours", Illinois American Water Company, IAWC or "the Company's" refers to Illinois-American Water Company, together with its affiliates, parent company, directors, officers, employees, agents, representatives, witnesses, and unless privileged, its attorneys.

As used in this introduction and in the information/data requests, "document" or "documents" means any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device, or any other media, including but not limited to, memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contract agreements, books, pamphlets, periodicals, appointment calendars records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recordings that is capable of being transcribed into written form.

Instructions

In answering these information/data requests, furnish all information that is available to you, including information in the possession of your agents, employees, and representatives and all others from whom you may freely obtain it, and your attorneys and their investigators.

Each information/data request should be answered based on your knowledge, information or belief. Any answer that is based upon information or belief should state that it is given on that basis.

Please consider these requests for information ongoing throughout these proceedings. Updates to information already provided should be made as such information becomes available.

If any document requested is not in your possession or subject to your control, please explain why not, and give the present location and custodian of any copy or summary of the document.

When providing responses, please provide each response on a separate page, labeling each page at the top with the number of and text of the information/data request to which you are responding. **We ask that for each such response, the name of the Company's witnesses who is sponsoring the response be provided.** If, in responding to any discovery request, your answer contains a reference to a website, please state the precise location on the website of the discovery information requested, and instructions on how to access the precise page that contains the discovery information you reference.

Claim of Privilege

If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: data, senders, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

Response Time and Address

The People request that all responses be provided as soon as possible but no later than February 14, 2012. Please forward all responses directly to Susan Satter, Cathy Yu, Scott Rubin Ralph Smith and Erica Randall electronically at the following e-mail addresses: ssatter@atg.state.il.us; cyu@atg.state.il.us; RSmithLA@aol.com; scott.j.rubin@gmail.com and aerandall@atg.state.il.us. If you need any clarification, have any questions, or anticipate any delay in responding, please contact Susan Satter at (312) 814-1104 or by e-mail at ssatter@atg.state.il.us.

-
- AG 4.1. Business Transformation or "BT" spending after the test year. Refer to DLH 1.05. Has IAWC requested any amounts in rate base or operating expense for BT spending projected to occur after the test year? If so, please explain fully and identify all such amount by account.
- AG 4.2. BT other assets being retired as a result of BT implementation. Refer to the response to DLH 6.01 and 6.02.
- a. What is the impact on IAWC's requested revenue requirement by district from retiring the \$247,389 JDE and JDE license assets in August 2012? Please show calculations in Excel.
 - b. What is the impact on IAWC's requested revenue requirement by district from retiring the \$5,479,597 ORCOM and ECIS Assets in March 2013? Please show calculations in Excel.

- c. Were the JDE and JDE license assets fully depreciated as of August 2012? If not, identify the plant asset and the related accumulated depreciation amounts at August 2012.
- d. Were the ORCOM and ECIS assets fully depreciated as of March 2013? If not, identify the plant asset and the related accumulated depreciation amounts at March 2013.
- e. Please show the journal entries that AIWC will use to retire the JDE and JDE license assets in August 2012.
- f. Please show the journal entries that AIWC will use to retire the ORCOM and ECIS assets in March 2013.

AG 4.3. BT. Refer to the response to AG 2.52.

- a. What business units are in the Hershey, PA data center location?
- b. Is the Hershey PA data center staffed and managed by American Water Works Service Company employees? If not, explain fully the staffing and management of that data center.
- c. Identify the job title and company affiliation of all AWWSC employees and management who staff and supervise the Hershey PA data center.
- d. If not, identify the job title and company affiliation of all non-AWWSC employees at the Hershey PA data center.
- e. What business units staff and manage the disaster recovery data center in Haddon, NJ?
- f. Is the Haddon NJ disaster recovery data center staffed and managed by American Water Works Service Company employees? If not, explain fully the staffing and management of that data center.
- g. Identify the job title and company affiliation of all AWWSC employees and management who staff and supervise the Haddon NJ data center.
- h. Identify the job title and company affiliation of all non-AWWSC employees at the Haddon NJ data center.
- i. What are the “tough books” mentioned in AG 2.52?
- j. What is the total cost for BT “tough books” that IAWC is requesting in the current case? Identify the cost by account and also identify the number of “tough books” to which such cost relates.
- k. Identify the number and cost of the BT “employee information work stations” that IAWC is requesting in the current case. Provide the amounts by account.

AG 4.4. BT. Provide a copy of the contracts for each system that comprises the BT.

- AG 4.5. BT. Are any of the BT contracts directly with Illinois American Water Company? If so, identify which ones.
- AG 4.6. BT. Please list all of the BT system contracts that are with affiliated entities *other than* Illinois American Water Company.
- AG 4.7. BT. For each of the BT-related systems (e.g., ERP, EAM, CIS, etc.), identify the specific entity within the American Water Works corporate group in which the legal title and ownership reside.
- AG 4.8. BT cost savings. Refer to the response to DLH 6.03.
- a. Does IAWC intend to include BT related cost savings at any point in this proceeding? If not, explain fully why not. If so, when does IAWC intend to include them?
 - b. Identify all information IAWC, AWWSC and/or the American Water Works board of directors has reviewed to date concerning anticipated BT related cost savings that pertain to 2012, 2013 and each subsequent year for which such information exists.
 - c. Provide all documents related to your response to part b.
- AG 4.9. Does IAWC, AWWSC and/or the American Water Works board of directors anticipate a work force downsizing at any point in 2012 or 2013? If not, explain fully why not. If so, please identify all such expectations and provide the related documents including, but not limited to, board of directors presentations.
- AG 4.10. Does IAWC, AWWSC and/or the American Water Works board of directors anticipate any labor cost related savings to occur as a result of implementing BT? If not, explain fully why not. If so, please identify all such expectations and provide the related documents including, but not limited to, board of directors presentations.
- AG 4.11. BT costs allocated to nonregulated affiliates. Refer to the response to DLH 6.04.
- a. Show in detail how the “fully loaded costs of BT” are determined.
 - b. Show the amount of “fully loaded cost of BT” that would be borne annually by AWW regulated utilities if **no** nonregulated affiliates use BT.
 1. Show the specific amounts that are allocated to IAWC and how the allocation to IAWC is done.
 2. Show the specific amounts to each IAWC utility district and how the district allocation of such costs is done.
 - c. Assume for purposes of this part of the request that all American Water Works affiliates are eventually to be migrated onto BT systems. Identify the maximum amount of the “fully loaded cost of BT” that would be borne by the nonregulated AWW affiliates.

- d. Show exactly how the crediting of nonregulated affiliate use of BT and the nonregulated affiliates payment of maintenance fees “would be credited to the regulated utility companies through a credit or reduction in Service Company fees.”
- e. If BT cost were proportionately allocated to AWW nonregulated affiliates, show what the maximum amount of credit or reduction to Service Company fees would be in total, and specifically for IAWC.
 - 1. Provide this information for the future test year being used by IAWC.
- f. Explain fully why the nonregulated affiliates of AWW would pay the Service Company fees for the use of BT systems.
- g. Explain why nonregulated affiliates using BT systems would not directly compensate the utilities, such as IAWC, who are requesting inclusion of BT related costs in their regulated rate base.
- h. Would any of the BT asset cost be allocated to nonregulated affiliates? If not, explain fully why not.
- i. What finance charge would be used to allocate or charge BT related cost to nonregulated affiliates?
 - 1. How would that financing cost be developed? Show in detail.

AG 4.12. BT. Refer to the response to DLH 10.01.

- a. Identify the systems that IAWC has been using pre-BT for each of the following functions:
 - 1. Human resource
 - 2. Finance and accounting
 - 3. Supply chain
 - 4. Procurement management
 - 5. Any other systems which are being replaced by BT systems.
- b. Identify the annual cost to IAWC in each year, 2004 through 2011, from the use of those existing systems.
- c. Identify the annual cost to IAWC from BT systems as requested by IAWC in the current rate case.
- d. Did AWW regulated utilities have any choice as to whether to “opt in” or “opt out” of BT systems? If not, explain fully why not. If so, please provide the related documents that show that IAWC could have opted out of costly BT systems.

- e. Do AWW's nonregulated businesses have a choice as to whether to "opt in" or "opt out" of BT systems? Explain fully why the nonregulated businesses can opt out of the costly BT systems.

AG 4.13. BT. Refer to the response to DLH 10.02. Provide the estimate, and all related supporting calculations, preferably in Excel, for the "test year credit amounts" that IAWC stated it would be able to provide by the end of January 2012.

AG 4.14. BT. Refer to the Revised Response to DLH 15.02. Identify and provide the documents relied upon by IAWC for its recent determination that it will be able to achieve certain reductions in test year levels of utility O&M expense through organizational changes made in anticipation of BT solutions.

AG 4.15. BT.

- a. Does IAWC anticipate any net cost savings benefits to be realized from the costly new BT systems it is requesting to be recovered from customers in the current rate case?

1. If not, explain fully why not.
2. If so, identify all cost savings that IAWC anticipates, show how such cost savings were derived, and identify the periods in which such cost savings are anticipated.

- b. Provide all documents relied upon in response to part a.

AG 4.16. Affiliated service company fees.

- a. Show in detail how IAWC pays for financing costs on the assets of the affiliate, American Water Works Service Company.
- b. Identify, quantify and explain all financing costs on the assets of the affiliate, American Water Works Service Company that were paid by or charged to IAWC for each year, 2009, 2010 and 2011. Include supporting details in Excel.
- c. Identify, quantify and explain in detail how the financing charge rate on the assets of the affiliate, American Water Works Service Company is determined. Provide this information for each year, 2009, 2010 and 2011. Include supporting details in Excel.
- d. Identify, by account, all financing costs related to AWWSC assets that IAWC is requesting in the future test year, by account.
- e. Show in detail how the financing costs listed in response to part d were derived.

AG 4.17. AWWSC Charges. Please provide a copy of the American Water Works policy that was applicable in each year, 2008, 2009, 2010, 2011 and which applies in 2012 and 2013 which permits AWW-owned sewer utilities to opt out of receiving a ratable allocation of AWWSC fees.

- AG 4.18. AWWSC Charges. Refer to the response to AG 2.6. Show in detail how much higher the AWWC charges are to each of the other service areas as a result of no AWWSC charges being allocated to Chicago Metro Waste Water. Include calculations in Excel showing the increased AWWSC charges to each of the following districts:
- Zone 1
 - Chicago Metro Water
 - Pekin
 - Lincoln
- AG 4.19. AWWSC Charges. Show in detail the reduction in AWWSC charges to each of the following utility districts if they were to fully opt out of receiving an allocation of AWWSC charges in the test year, as has been done for Chicago Metro Waste Water.
- Zone 1
 - Chicago Metro Water
 - Pekin
 - Lincoln
- AG 4.20. AWWSC charges for pension. Refer to the response to AG 2.37.
- Are the amounts provided in AG 2.37 based on FAS 87 pension costs? If not, what is the basis for the pension amounts.
 - Explain the decline in AWWSC pension costs from 2009 to 2010.
 - Explain the decline in AWWSC pension costs from 2010 to 2011.
 - Provide a copy of the actuarial reports that support the AWWSC pension amounts.
- AG 4.21. AWWSC donations. Refer to the response to AG 2.45.
- Identify the name, address, amount, and specific function of each organization to which AWWSC made a charitable donation for the six months of actual costs.
 - Identify the name, address, amount, and specific function of each organization to which AWWSC budgeted a charitable donation.
 - Provide a detailed itemized listing of all AWWSC donations for which IAWC is requesting rate recovery in the future test year.
 - Show how the test year amount for AWWSC donations is allocated to each IAWC district.

AG 4.22. AWWSC membership. Refer to the response to AG 2.46.

- a. Provide a detailed itemized listing of all AWWSC memberships for which IAWC is requesting rate recovery in the future test year.
- b. Show how the test year amount for AWWSC memberships is allocated to each IAWC district.
- c. Provide the most recent two years of invoices for the NAWC membership.

AG 4.23. AWWSC community relations. Refer to the response to AG 2.49.

- a. Are the community relates charges in addition to the donations amounts provided in response to AG 2.45? If not, identify the overlap.
- b. Identify the name, address, amount, and specific function of each organization to which AWWSC made a community relations expenditure for the six months of actual costs.
- c. Identify the name, address, amount, and specific function of each organization to which AWWSC budgeted a community relations expenditure.
- d. Provide a detailed itemized listing of all AWWSC community relations expense for which IAWC is requesting rate recovery in the future test year.
- e. Show how the test year amount for AWWSC donations is allocated to each IAWC district.

AG 4.24. AWWSC depreciation. Refer to the response to AG 2.50 and AG 2.51.

- a. Provide the complete depreciation rate studies underlying each depreciation rate being used by AWWSC.
- b. Identify, quantify and explain exactly how AWWSC capitalizes and depreciates leased assets, and show the amount of capital leased assets that AWWSC has on its books as of each of the following dates (actual and projected): at 12/31/2010, 12/31/2011 and at the beginning and end of the future test year ending 9/30/2013.
- c. Show in detail each asset in AWWSC ITS that is being depreciated, and the specific depreciation rate applied to each such ITS asset.
- d. For each depreciation amount listed on the response to AG 2.50 provide the following information:
 1. A detailed summary of the plant balances at 12/31/2010, 12/31/2011 and at the beginning and end of the future test year ending 9/30/2013.
 2. The related accumulated depreciation balances for each plant asset at 12/31/2010, 12/31/2011 and at the beginning and end of the future test year ending 9/30/2013.

3. The annual depreciation rate being used for each plant account.
- e. Identify, explain and itemize all AWWSC Business Transformation assets that were being depreciated in 2011.
- f. Explain fully and show complete details for the huge increase in Business Development related AWWSC Depreciation from \$23,352 Jan-June 2011 and \$25,821 Jul-Dec 2011 to \$1,998,675 Jan-Sept 2012 and \$740,194 Oct-Dec 2012.
- g. Identify all Business Development charges to IAWC included in the future test year by account.
- h. Show in detail how the allocation of 9.24% in note E was derived. Include supporting calculations.
- i. Please provide Excel files related to your responses to this request.

AG 4.25. AWWSC charges for Business Development. Refer to the response to AG 2.50.

- a. Identify, quantify and explain **all** charges to IAWC for affiliated Service Company **business development activities** included in the future test year by account including but not limited to the \$292,901 for AWWSC Business Development depreciation expense.
- b. Identify and explain all business development activities conducted by AWWSC in each year, 2008, 2009, 2010 and 2011 and projected for 2012 and 2013.
- c. For each AWWSC business development activity listed in part b, identify the geographic location of the business development.
- d. For each AWWSC business development activity listed in part b, identify the specific benefit to IAWC ratepayers and how that benefit has been reflected in IAWC's filing in the current case.

AG 4.26. AWWSC charges to IAWC. Refer to the response to AG 2.85. Explain in detail each of the following charges, and provide the related charge to IAWC by account, and also provide the comparable future test year amounts in total and the charges for each AWWSC business unit to IAWC by account:

1. 032020 Corporate Bus Development
2. 032021 Finance Pass Thru
3. 032022 Government Affairs
4. 032025 External Affairs
5. 032029 BAD Business Analysis Group
6. 032032 ITS BAD Core Shared

7. 032036 ITS Bsns Transformation
8. 032040 Business Transformation
9. 032042 1000 Voorhees Building
10. 32046 3906 Church Road
11. 032047 Income Tax
12. 032051 Bsns Trans –Procure to Pay
13. 032052 Bsns Trans – Recruit to Ret
14. 032053 Bsns Trans – Record to Rpt
15. 032054 Bsns Trans – order to cash
16. 032055 Bsns Trans- Plan, Bld, Ret
17. 032056 Bsns Trans – Ord to Compl
18. 032062 Building Services
19. 032063 Buildign Services Woodcre
20. 032066 Innov & Env Stewardship
21. 032068 CORP Marketing
22. 032069 Regulatory UFS
23. 032074 ITS Production
24. 032076 CORP Communications
25. 032079 ITS BAD – Middle Office App
26. 032080 ITS BAD – Back Office App
27. 032081 ITS BAD – Quality & Methodolgy
28. 032082 ITS BAD – Customer Facing
29. 032083 ITS BAD – Field Svc Apps
30. 032084 SSC Accounts Payable
31. 032085 External Communications
32. 032086 Internal Communications
33. 032087 Corp Social Resp

- 34. 032089 AWE Pass-Thru (also explain what “AWE” is)
- 35. 032505 Administration
- 36. 032570 General Accounting
- 37. 032571 Tax
- 38. 032572 Business Support Services
- 39. 032580 AWE
- 40. 036020 Business Development
- 41. 036025 External Affairs
- 42. 037070 Call Handling

AG 4.27. AWWSC charges to IAWC in future test year.

- a. Please provide a detailed itemization of all AWWSC charges to IAWC in format similar to the response to AG 2.90.
- b. Please show the total AWWSC charges and the AWWSC charges to IAWC O&M for the future test year by object account in format similar to AG 2.90.
- c. Please show the total AWWSC charges including non-O&M charges to IAWC for the future test year by account.
- d. Please provide Excel files used in your responses to the above.

AG 4.28. Provide rules, guidelines or other measures used by IAWC in classifying work as rate base as opposed to repair.